

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of Financial and Insurance Services

In the matter of:

Office of Financial and Insurance Services,

Enforcement Case No. 07-4930

Petitioner

v

Community Choice Michigan,

Respondent

CONSENT ORDER AND STIPULATION

Issued and entered,
on August 22, 2007,
by Peggy Bryson
Acting Chief Deputy Commissioner

I.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Community Choice Michigan (Respondent) is a licensed health maintenance organization.
2. As a licensed health maintenance organization, Respondent knew or had reason to know that Section 1341(3)(d) of the Insurance Code (Code), MCL 500.1341(3)(d), provides:
 - (3) A domestic insurer and any person in its holding company system shall not enter into the following transactions with each other unless the insurer has notified the commissioner in writing of its intention to enter into the transaction at least 30 days, or a shorter period as the commissioner allows, prior to entering into the transaction and the commissioner has not disapproved it within that period:
 - (d) Rendering of services on a regular systematic basis.

3. As a licensed health maintenance organization, Respondent knew or had reason to know that Section 115 of the Code, MCL 500.115, describes an affiliate as a person that directly, or indirectly, through one or more intermediaries, is under the common control of another person. Section 115 further describes control as the power to exercise, directly or indirectly, a controlling influence over the management or policies of the company, as the Commissioner determines.
4. CareSource Management Group (CareSource) is a management company that was hired to run the day-to-day operations of Respondent through a management agreement originally entered into on April 24, 2003. Since CareSource is in control of the day-to-day operations, including the management of Respondent's employees, the entities are subject to the filing requirements of Chapter 13 of the Code.
5. Subsequent to Respondent's completion of a court ordered rehabilitation, the Office of Financial and Insurance Services (OFIS) conducted a review of Respondent and discovered that its original management agreement with CareSource had been amended, but not reviewed by OFIS.
6. On September 1, 2006, OFIS contacted Respondent to notify it of the non-disapproval of an amendment to the original management agreement but informed Respondent that intercompany transactions need to be submitted to OFIS at least 30 days in advance and that future violation will be assessed a fine as permitted in the Code.
7. The original management agreement between Respondent and CareSource was replaced in its entirety with a new management agreement; the parties executed the new agreement on October 24, 2006. The new agreement became effective retroactively to July 1, 2006. The new agreement between Respondent and CareSource was not submitted for OFIS's review until November 27, 2006.
8. Respondent's failure to notify the commissioner in writing of its intention to enter into a new management agreement, at least 30 days prior to entering into the agreement, and its failure to obtain the Commissioner's approval to enter into such an agreement constitute a violation of Section 1341(3) of the Code.
9. Respondent is subject to a penalty under Section 150 and/or Section 1371 of the Code, MCL 500.150 and MCL 500.1371, for violating Section 1341(3) of the Code.

II. ORDER

Based upon the Findings of Fact and Conclusions of Law above and Respondent's stipulation, the Commissioner ORDERS that:

1. Respondent shall cease and desist from operating in a manner that violates Section 1341(3)(d) of the Code, MCL 500. 1341(3)(d).

2. Respondent shall ensure that all intercompany transactions are submitted to the Office of Financial and Insurance Services for approval in accordance with Section 1341(3)(d) of the Code.
3. Respondent shall pay to the state of Michigan, through the Office of Financial and Insurance Services, a fine in the amount of \$1000. Upon execution of this Order, the Office of Financial and Insurance Services will send Respondent an Invoice for the civil fine, which will be due within 30 days of issuance of the Invoice.



Peggy Bryson
Acting Chief Deputy Commissioner